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Chilton's

AUTOMOTIVE MARKETING

The Marketing/Business Magazine for the Retail Aftermarket

FEBRUARY 1987

THE MERGING MARKET

- BRAKE SERVICE
- DETAILING THE MARKET
- PROFILE: STEEL CITY PRODUCTS
- DIRECT PRODUCT PROFIT ANALYSIS
- SPRING/SUMMER MERCHANDISE IDEABOOK

Chilton's
AUTOMOTIVE MARKETING

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PUBLISHER'S NOTES

RETAIL CYCLES

"What goes around comes around." This is not one of my family sayings, but true nonetheless.

This month, we investigate several cyclical topics, among them the merging of the marketplace and its evolution back to some of its original practices. There's a lot new in the aftermarket, too, according to senior news and features editor John Wirebach.

In another cycle, it's time to think Spring again. Contributing editor Ed Kaufman talked with retailers and suppliers to garner their thoughts, and plans, for the season, a season with possibilities for increased sales of DIY products.

To those thoughts, we've added merchandising opportunities for you in our semi-annual Merchandise Ideabook. You'll see some of these new items and sales tools at next month's Big "I" Show in Atlanta. Our merchandising feature page gives you some how-tos on bulk displays.

Steel City Products is a survivor of 40 years at the tough feeder level. Read how Bernie Frank's operation has done it all these years in our profile.

We've got it all for you. Check it out! (That IS a family saying.) Let us hear from you. ■

Sarah Frantzen, Publisher

THE AUTOMOTIVE MARKETING INDEX

THE 1986-87 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

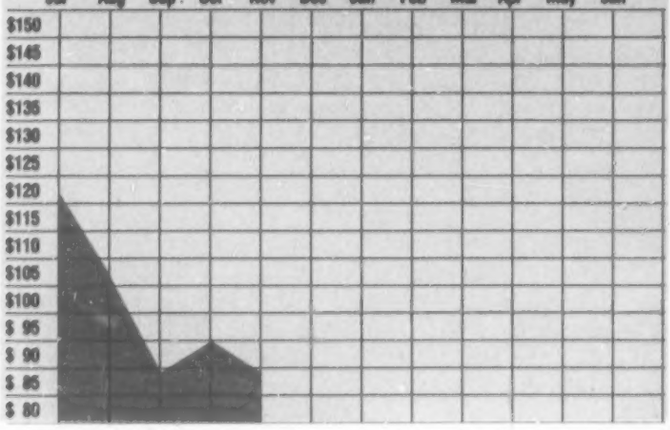
NOVEMBER 1986 NATIONAL AVERAGE MARKETBASKET PRICES

A non-resistor spark plug:	$ .85	A gas-charged shock:	$ 13.77
An oil filter:	1.89	One gallon of antifreeze:	2.74
A can of 10W30 oil:	.70	One pair of wiper refills:	1.89
A can of paste wax:	3.54	A 40-month battery:	29.85
An AM/FM/Cassette:	33.97	Total:	$ 89.00

NOVEMBER AM MARKETBASKET PRICES BY MARKETING AREA

		3. Smokestack East:	$ 90.06
		4. Old South:	84.96
		5. Caribbean South:	102.21
		6. Smokestack Central:	90.06
		7. Grainbelt Central:	90.13
		8. Spanish West:	100.20
1. Greenbelt East:	$96.97	9. Desert West:	85.09
2. Megapolis East:	83.78	10. Greenbelt West:	78.30

NATIONAL AVERAGE MONTHLY 1986-87 AFTERMARKET BASKET PRICES



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Qr	Current Period	Prior Period	Year Ago, Same Period	Low (61-86)	High (61-86)
Personal Income	billion	Oct	$3,524.3	$3,511.6	$3,358.3	$403.8 (Jan 61)	$3,524.3 (Oct 86)
Personal Consumption Expenditures	billion	3Q	$2,799.3	$2,732.0	$2,627.1	328.5 (1Q 61)	2,799.3 (3Q 86)
Consumer Price Index	67 = 100	Sept	330.2	328.0	324.5	89.3 (May 61)	330.2 (Sept 86)

AMERICAN-BUILT CARS SOLD IN 1986

American-made car sales for December 1986 finished the year up 16% higher than December 1985, for a year that showed overall growth. Ford, Chrysler, and American Honda were December's big winners. For the year, however, Ford sales dropped slightly, as did General Motors. And American Motors continued to bleed. But Japanese nameplate cars did well in 1986.

Maker	1986	1985	% Change
American Honda	235,247	145,976	61.2%
American Motors	75,853	123,449	-41.0
Chrysler	1,173,463	1,139,936	2.9
Ford	2,066,507	2,070,392	-2.9
General Motors	4,532,798	4,607,458	-1.6
Nissan	52,602	39,794	32.2
Volkswagen of America	73,912	77,535	-4.7
Total U.S. Industry	8,214,663	8,204,540	0.1

Sources: E.F. Hutton & Co., Motor Vehicle Manufacturers Association

1987 AFTERMARKET STOCK PRICES

The figures below are the high and low prices offered and paid for various retail chain, manufacturer, and distributor common stocks in different stock exchanges for the 52 week period prior to January 16.

	Exchange	52-week High	52-week Low	1/16 Quote	P-E
Armor All	OTC	15 1/4	14 3/4	15 1/8	--
Cardis Corp.	AMEX	10	5 7/8	8 3/8	8
Champ Parts	OTC	11	3 1/2	9	56
Champ Spk Plg	NYSE	11 7/8	8 5/8	11 1/2	--
Crown Auto	OTC	4 1/4	3	3	--
Dana Corp.	NYSE	36 1/2	25 1/2	34 3/4	16
Duralcan	OTC	18	6 1/2	11 3/4	16
Echlin	NYSE	23 1/8	15 1/8	22 3/8	19
Genuine Parts	NYSE	48 3/8	36	48	21
Lucky Stores	NYSE	37 7/8	23 1/4	26 3/8	36
Pnr Hamlin	NYSE	32 3/4	20 1/4	32 3/8	16
Pennzoil	NYSE	77 3/8	48 1/8	69 1/8	67
Pep Boys	NYSE	48 1/4	25 1/8	46 7/8	32
Perry Drugs	NYSE	20 7/8	12	14	24
Purolator	NYSE	28 7/8	15	28 3/8	--
Quaker State	NYSE	30	23	27	13
Republic Auto	OTC	10	6 5/8	8 1/4	--
Rite Aid	NYSE	35 1/2	24 1/4	34 5/8	19
Sealed Power	NYSE	31 1/4	23 1/8	29 7/8	13
Southland	NYSE	60 1/2	40 3/4	46 1/2	11
Stan Mtr Prod	NYSE	23 5/8	12 1/2	23 3/4	18
Supr Ind	AMEX	16 3/8	9 1/2	13 1/2	10
TBC Corp.	OTC	15 1/4	8 3/4	14 1/4	25
Tenneco	NYSE	43 1/8	34 1/2	40 1/4	19
Trak Auto	OTC	18 3/4	11	14 1/2	363
Triad Systems	OTC	13 1/8	8 1/2	11 3/8	28

PRODUCT OF THE MONTH: SPRAY PAINT

Drawing from the 1986 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed spray paint during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55+	-$20K	$20-30K	$30-40K	40K	-1 hr	1-5 Hrs	6-10 Hrs	11+ Hrs	1	2	3 or More
100.0%	88.0%	12.0%	24.0%	32.0%	8.0%	18.0%	18.0%	34.0%	24.0%	16.0%	16.0%	10.0%	42.0%	24.0%	22.0%	32.0%	34.0%	34.0%

MARKET LINE

MAIL ORDER AUTOMOTIVE

Mail Order Automotive Sales: $400 Million And Growing.

Mail order sales in general are enjoying boom times. About 60,000 companies sell some kind of mail order product or service. Arnold Fishman, president of Marketing Logistics, Deerfield, IL, estimates mail order makes up 2.6% of all retail sales. Americans spent about $248 apiece for mail order products in 1985.

"The total mail order market is about $38.5 billion in merchandise," Fishman told us. "About $26.8 billion in specialty merchandise; and $11.7 billion in general merchandise. That's the reverse of 20 years ago. Now specialty is the most important segment." Fishman noted there is also a $20.2 billion market for mail order services.

Fishman put the automotive mail order market at $390 million in 1985, but automotive/aviation mail order sales are combined as one category in his calculations. He lists 320 companies in the category.

Brad Highum, a consultant with Maxwell Sroge Inc., Colorado Springs, CO, puts automotive mail order sales slightly lower: about $375 million in 1985. "We list 165-170 companies selling automotive," Highum noted. "Automotive is not the largest segment, but we see fairly respectable growth in the segment: about 8-9%. General mail order growth has been about 12-13% for the past three years."

Highum said the emphasis in mail order today is on segmentation and specialization. "The trend is away from general merchandise. There's a failure in the general catalogs to respond to the needs of customers."

Modern mail order sales began with Aaron Montgomery Ward, a peddler in the Midwest after the Civil War. Ward observed the limitations of the general stores that dotted the Midwest: few SKUs, high prices. Working in a Chicago loft, with $1,600 in capital, Ward produced his first catalog—a single page with 163 items—in 1872. Ward worked with the National Grange to push his catalog to farmers as "The Original Wholesale Grange Supply House." By the 1880s, the Ward Catalog was 240 pages thick with thousands of items.

The Sears catalog began when a Minnesota railroad man named Richard Warren Sears began offering watches by mail with the help of job-printer Alvah Curtis Roebuck in 1886. Astute advertising soon allowed Sears to overtake Ward in sales, and by 1907 Sears was mailing three million catalogs with sales over $1 million.

Ward's and Sears were soon followed by J.C. Penney and Spiegel, and the companies became the big four in mail order sales. Although Ward's and Sears both opened stores in the 1920s, catalog sales continued to claim about 20% of Sears and Ward's annual total sales. In 1985, Sears was still the number one catalog merchant with catalog sales of $2.83 billion in 1984 and $2.80 billion in 1985.

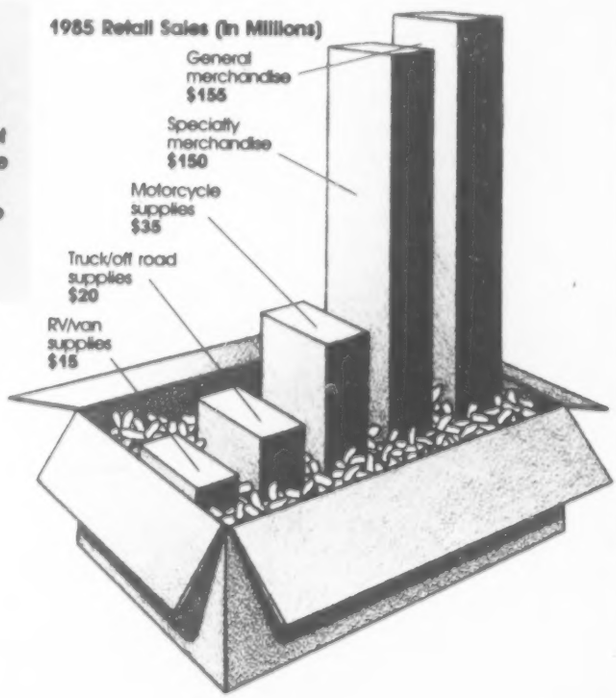
In 1984, Ward's took a dramatic step by publishing a free-standing "Auto Express Catalog" of 95,000 SKUs in four areas: performance, import parts, domestic parts, and accessories. Tires, batteries, and accessories were shipped from Montgomery Ward warehouses, while the rest came from participating WDs around the country.

At that time, catalog sales amounted to about 15% of Ward's automotive sales. Whether the giant catalog would have been a success or failure will never be known. One of the participating WDs told us the automotive catalog was "doing as much business as Ward's had forecast. We were just in one quarter of the book and we received 10,000 orders last year." But a new management team led by Bernard Brennan, who was brought in by Mobil Oil Co., Ward's parent company, closed the catalog operation, and announced a new store concept. While figures for automotive alone are a Ward's secret, in 1984, its last full year, Ward's general catalog did $930 million in sales.

AUTOMOTIVE MAIL ORDER SALES BY CATEGORY: 1986

Although the sale of general merchandise is still the largest single category in automotive mail order, the trend is away from general merchandise to specialty products for cars and other vehicles.

Source: Marketing Logistics Inc. and *Automotive Marketing* estimates.



MARKET LINE

The leader in automotive mail sales (aside from Sears) is J.C. Whitney, a general mail order automotive WD out of Chicago since 1915, with a 250-page catalog (estimated sales: $90 million). However, the fastest growing mail order companies are specialty houses such as Beverly Hills Motor Accessories and PAW (Performance At Wholesale), Los Angeles.

"The generalists sell on price, the specialists sell on scarcity," Highum noted. "What the specialty houses have is a product line, and access to lists. Price is not terribly important to their customers. They sell brand names so customers are not dealing with unknown manufacturers. It's competition based on a known product quality. And they have very low overhead. The only expense is advertising and buying product."

The mail order specialist picks out a very small segment of the market. Some of the most successful sell Corvette parts, parts for 1955-57 Chevrolets, or Mustang parts. "You can't have a successful Corvette store in a small town," Highum said, "but you can target direct mail to owners, and pull from a bigger customer base."

For example, Tommy Johnson, a racer from Ottumwa, IA, specializes in safety equipment for race cars: jackets, safety harnesses, parachutes. "We started by accident," Johnson told us. "Iowa's pretty centralized. There's only one state paper, *The Des Moines Register*. I run a little performance store and we had some used parts I wanted to get rid of. We got a good response. So I ran another, and put new parts in it. Pretty soon I called up the phone company and got a Watts line." Johnson reaches his clientele through drag race papers and magazines. His name helps. "People see me at races. I write a little column of BS in some of the papers."

Johnson says he carries a tiny inventory—maybe $50,000. "I have a wholesaler who takes care of me. He shoots it in in one day. So I have access to a large inventory without carrying any. I'm like his outside salesman." But Johnson thinks the automotive business is going away from mail order. "Ads are just too high priced. The competition hurts. There're too many people in it."

We also spoke with one of the most successful specialized mail order houses. Andrew Cohen, president of Beverly Hills Motor Accessories, said he'd started by buying a NAPA store in 1974. "In 1976, we started selling mail order, and we sold the store in 1978." Cohen agreed that price is not terribly important to his business. "Our customers are higher income customers. They're professionals; they don't have time to shop. We appeal to maybe only 2% of the population, but it's a wealthy 2%. All they care about is quality and service."

Service and selection are the key, Cohen said. Beverly Hills stocks 5,000 SKUs. "There're always new items, new fads. We do well with protection items like bras and car covers. Virtually anything cosmetic. I have a lot of things you can't

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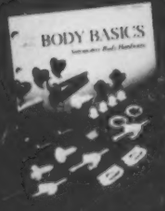

GM INDUSTRIES, INC.

MARKET LINE

get, even performance shops don't carry them. We get things made just for us; some are exclusives. For example, we stock the only 100% cotton car covers." Shipments are next day UPS in most cases. "Two weeks at most if we don't stock it in the warehouse. There is a certain percentage drop shipped direct from the factory like personalized mats made to order."

Cohen says lists don't work, at least for him. "We don't have luck with lists. For one thing, 60% of our customers have a Mercedes, and the percentage of Mercedes owners is pretty small. Then, if you buy it, you don't know if the list has mail order buyers on it. The lists are old. Some of the names on them are leasing companies and they never get to the customer.

"For us, it's mostly space ads. Lists don't work. Business is exclusively through advertising. We spend a million a year on ads. To begin running ads is a three or four million dollar investment. That keeps a lot of people out of the business. An ad in (one of the biggest consumer automotive magazines) runs $14,000 a month. That's four times what it was when we started. The number of mail order houses there is diminishing."

Advertising has worked well for Beverly Hills. Estimates of its sales are about $23 million. Cohen said the number was in the ball park.

On the other hand, ads were not effective for Moving Parts Inc., of Portland, OR, a specialty mail order house for European car accessories. Blake Middleton said they tried a few in *Road and Track* and *Porsche Panorama* when they started in 1984. "Space advertising hasn't been our bread-and-butter. It's very expensive. We buy lists from list brokers. Some are good and some bad. You don't open up the door and make money. You have to build up your list."

Moving Parts is on its third catalog and sends out about 45,000 copies. Middleton thinks the next catalog might reach 100,000. Although lists are closely guarded secrets for mail order firms, Middleton offered some suggestions. "A better customer is the mail order buyer. We buy lists of people who've bought from catalogs before, rather than lists of owners. We tried a list of 300 new Porsche owners from the state as an experiment. We haven't gotten three calls from it."

The key to success is service, Middleton said. "The customer is the only source of income. You've got to treat him right." For starters, he answers the phone himself. "You have to avoid having a boiler room full of operators who know absolutely nothing about the product. No matter how big we get, I'll still answer the phone."

Since the mail order houses have lower overheads than full-line WDs (the major items are warehousing and advertising), they are able to sell below jobber costs on most items. Mail order analysts say costs (besides product purchases) run about 20% of gross sales. This, of course, infuriates jobbers, who have to deal with customers who wave mail order ads in their faces and complain about prices.

Jim Davis, president of B & M Automotive, felt compelled to respond to performance retailers' complaints when he was chairman of the Specialty Equipment Manufacturers Association (SEMA). Davis said B & M has a record of every customer who buys through mail order. "Without exception, these purchasers tend to live in rural areas which tells me they buy by mail order because there is no convenient retail store."

But, Davis said, the most important virtue of mail order was exposure. Mail order ads in consumer magazines puts performance products in front of potential customers month after month. "Reality says that the majority of those motivat-

AUTOMOTIVE MAIL ORDER SALES: 1980—1986

Automotive sales through mail order have just about doubled since 1980. Sales reached $375 million in 1985 and are estimated at $407 million for 1986. Nearly 170 firms sell some type of automotive product through mail order. The category is expected to grow by 8-9% yearly through the 1980s.

Source: Maxwell Scoge Inc. and *Automotive Marketing* estimates.

ed to buy will end up plunking their money down at the local retail counter. Why? It's convenient. They can talk directly to someone who is knowledgeable. If they get the wrong piece or if it doesn't fit, they can return it easily."

In the recent SEMA performance market study, SEMA manufacturers said mail order accounts for about 12% of their business.

What's the future of mail order sales? All the signs are good for the specialist, not so good for the generalist. Nile Cornelison of Direct Communications Marketing Inc., Creston, IA, put the case for the specialist nicely, "Lifestyles are changing. There're more two wage earner families and less time to shop. Shopping at home is a convenience, especially for unique specialized products that are less available in retail environments. Baby boomers are interested in things not available in most stores. The price of their toys goes up. Small town America is getting a little smaller and losing its businesses. Small town stores no longer offer good/better/best; now it's good and better. The mail order house sell name brands so confidence is good. I can only see mail order going up. They're filling a need."

And the generalist? "I'm not going to predict doom for the generalists," Highum said, "they've been around a long time. They specialize in discount; they've carved out a position. There's enough of a market for them. They hold a price advantage over the auto stores."

So it looks as though retailers would do well to be ready to deal with mail order competitors for a long while. ■

ASIA Meeting/BIG 'I' United For Progress

The traditional aftermarket will gather in Atlanta's Hyatt Regency Hotel from March 7-10 to attend the Automotive Service Industry Association (ASIA) Convention, and then view the 54th Annual Big "I" (International Automotive Aftermarket) Show which runs from March 10-12 at the Georgia World Congress Center.

The Big "I" Show is sponsored by ASIA and the Motor & Equipment Manufacturers Association (MEMA), and operated by a Joint Operating Committee from the two organizations.

Featured speakers at this year's ASIA Convention Sessions are Lloyd Reuss (General Motors) and Larry McCurdy (Moog). The keynote speaker is Mike Vance, described as an expert in "creative thinking." Ex-Pittsburgh Steeler running back Rocky Bleier will address the ASIA Awards Dinner.

About 30,000 aftermarket people are expected to attend the Big "I" – including an increased number of retailers. ■

1987 ASIA NATIONAL CONVENTION
BIG "I" SHOW
ATLANTA, MARCH 7-12, 1987
HYATT REGENCY HOTEL/GEORGIA WORLD CONGRESS CENTER
SCHEDULE

SATURDAY, MARCH 7	
4:30 pm:	ASIA Chairman's Reception
6:30 pm:	ASIA Young Executives Forum Dinner/Dance
SUNDAY, MARCH 8	
7:30 am:	ASIA WD Div. Management Breakfast Conference
8:00 am:	ASIA Remanufacturers Div. Breakfast Mtg.
8:30 am:	ASIA Wholesalers Div. Management Conference
1:00 pm:	First General Convention Session
1:00 pm:	ASIA PBE Div. Management Conference
7:00 pm:	ASIA Industry Dinner/Dance & Show
MONDAY, MARCH 9	
7:00 am:	ASIA Prayer Breakfast
7:00 am:	ASIA PBE Div. Executive Committee Mtg.
7:30 am:	ASIA Manufacturers' Reps Div. Breakfast
8:30 am:	MEMA/AWDA Joint Conferences & Luncheon (Marriott Marquis)
8:45 am:	ASIA Convention In-Depth Sessions
11:45 am:	ASIA Awards Luncheon
2:30 pm:	Second General Convention Session
5:30 pm:	OAC President's Reception (Atlanta Hilton)
7:00 pm:	MEMA Industry Banquet
TUESDAY, MARCH 10	
7:00 am:	Northwood Institute Breakfast
9:00 am:	1987 Big "I" Show (Open until 5:00 pm)
9:30 am:	ASIA Ladies Day Program (Leaves Hyatt Regency)
11:00 am:	Pioneer Luncheon (Georgia World Congress Center)
WEDNESDAY, MARCH 11	
8:00 am:	OAC Seminar, "Selling Latin American Markets." (Congress Center)
9:00 am:	1987 Big "I" Show (Open until 5:00 pm)
6:00 pm:	OAC Reception & Dinner (Atlanta Hilton)
THURSDAY, MARCH 12	
9:00 am:	1987 Big "I" Show (Open until 4:00 pm)

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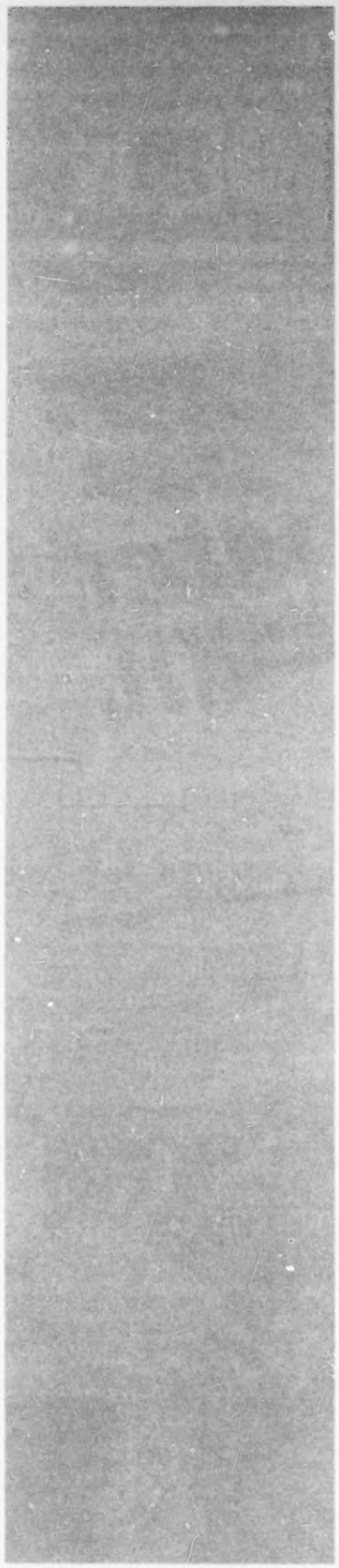
THE MERGING MARKET



The aftermarket is changing in many ways. Those changes are here to stay. Here's what it is all about.

by **John Wirebach**, Senior News and Feature Editor

We called this article the merging market because, it seems to us, the automotive aftermarket is merging in at least two crucial ways.

First, the market is consolidating. While the number of stores continues to increase, the number of store owners remains steady or is actually declining. This is happening on both the traditional and retail sides of the market.

The second change is more subtle. Slowly but surely the traditional WD/jobber/installer channel and the retail channel are beginning to resemble one another in the way they go to market.

The traditional market has become more retail-oriented through programmed distribution. Lately, they've also found ways to apply programmed distribution to their wholesale customers. Price sheets, long a staple of the market, are, in the words of Larry Anton, consultant to Bumper to Bumper, "dying a slow, painful death." And, a growing number of WDs are going one step further and owning their own stores, becoming, in effect, jobber/retailers. On the other hand (and to a lesser extent so far), retailers are beginning to examine ways of selling wholesale.

Indeed, it looks as though it will soon be hard to tell the players without a scorecard. New NAPA and Parts Plus stores look more like Pep Boys stores than they look like traditional jobbing stores. And, a consolidating market means that a customer in, say, a Kragen store in California will be buying parts ordered through Schuck's in Seattle and owned by Northern Pacific in New York City.

How and why did these changes occur and what do they mean to the aftermarket?

The Consolidating Market

Consolidation, acquisition, and merger are key topics in every aftermarket office, whether it be a WD or a retail chain, today. Practically every chain or WD seems to be for sale. On the retail side, there have been four major acquisitions or mergers in the past six months alone that demonstrate the rapid changes taking place in the aftermarket.

- Lucky Stores, fighting a hostile takeover, sold off its 378 Checker/Kragen auto stores to Schuck's Auto Stores, giving the combined chain 473 stores. That makes it the largest chain in the country in number of stores and takes Schuck's out of its Pacific Northwest base into 12 Western states. Schuck's itself is owned by Northern Pacific, a New York investment company.
- One of the aftermarket's oldest chains, Penn-Jersey, which has long been in financial trouble, finally conceded and sold its majority control to R&S/Strauss. R&S immediately put the 26-store Penn-Jersey chain into Chapter 11 while deciding how to handle its new property. The purchase moves R&S from its New Jersey/New York home into the Philadelphia/Baltimore/Washington metropolitan market.
- Rose Auto Stores, a 65-store Florida chain, sold out to Whitlock Corp. of White Plains, NY, which already owns

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89 stores in ten states. Whitlock, in turn, is owned by LCP Holding Co. of England.

- Trak Auto bought back 50% of common stock from partner Thrifty Corp. and now wholly owns the 74 Trak West auto stores they previously jointly owned. Trak Auto is now a 200-store chain, 66% of which is owned by Dart Drug.

Although all the new owners have pledged to keep the staffs in place and not change the name of their new acquisitions, at the very least, these buys remove three more buying points from the aftermarket (Trak already had the buying power for Trak West) and give the new owners substantially more buying power and economies of scale.

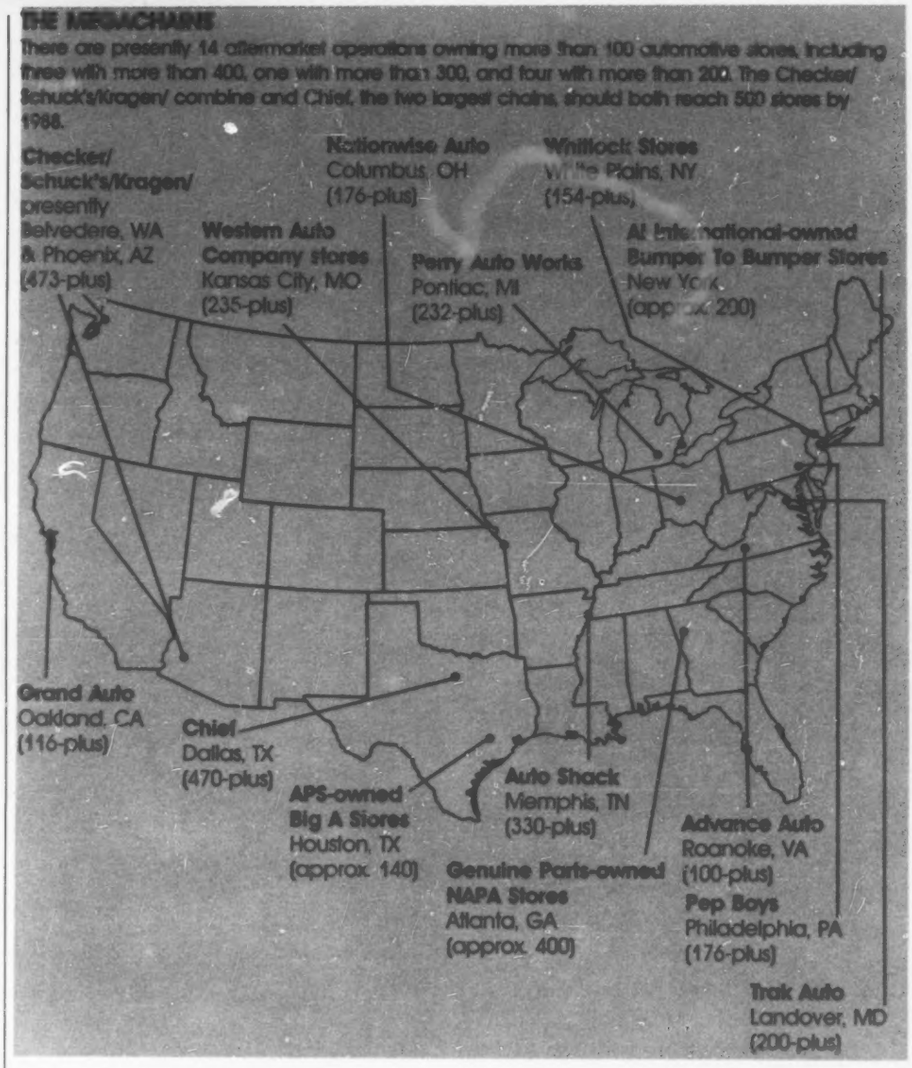
The Megachain

Such mergers and acquisitions have brought about the age of the megachain. By our count, there are eight chains operating more than 200 stores. Three, in fact, operate more than 400: The Checker/Schuck's/Kragen combine, Chief, and the Genuine Parts-owned NAPA stores. Auto Shack owns more than 300, Perry Drugs' Auto Works, Western Auto-owned stores, Trak Auto, and AI International-owned Bumper to Bumper stores total more than 200 each.

Except for Genuine Parts, all are owned by conglomerates that provide money and management skills . Conglomerates, most of whom were already in other forms of retailing, entered the aftermarket in force in the early 1980s. Their reasons were simple: high profits and a fragmented industry.

A good example is Perry Drugs which created a megachain virtually from scratch. Perry sold some automotive product in its drug stores as early as 1976. Vice president of corporate communications Berl Faulbaum told *Automotive Marketing* there were two reasons: "We wanted to take advantage of better margins and to attract men into our drug stores." The 35-40% margins in automotive (as opposed to 20-30% in drugs) inspired Perry to continue expanding automotive supplies. However, as late as 1982, Perry automotive sales were only $28.4 million.

In 1983, however, Perry went into automotive sales in a big way by buying a smaller chain, the 50-store Fleenor's chain in Indianapolis. The next year it added Corvairs' 47-store Ohio chain, and 25 stores in St. Louis previously owned by Lambert/Singer and Pappy's. Major acquisitions continue at Perry: just last year


THE MEGACHAINS
There are presently 14 aftermarket operations owning more than 100 automotive stores, including three with more than 400, one with more than 300, and four with more than 200. The Checker/Schuck's/Kragen/ combine and Chief, the two largest chains, should both reach 500 stores by 1988.
Checker/ Schuck's/Kragen/ presently Belvedere, WA & Phoenix, AZ (473-plus)
Nationwise Auto Columbus, OH (176-plus)
Whitlock Stores White Plains, NY (154-plus)
Western Auto Company stores Kansas City, MO (235-plus)
Perry Auto Works Pontiac, MI (232-plus)
AI International-owned Bumper To Bumper Stores New York (approx. 200)
Grand Auto Oakland, CA (116-plus)
Chief Dallas, TX (470-plus)
APS-owned Big A Stores Houston, TX (approx. 140)
Auto Shack Memphis, TN (330-plus)
Genuine Parts-owned NAPA Stores Atlanta, GA (approx. 400)
Advance Auto Roanoke, VA (100-plus)
Pep Boys Philadelphia, PA (176-plus)
Trak Auto Landover, MD (200-plus)

Perry added the 17-store Trio Auto Stores in Northern Michigan to the chain, plus several smaller independents.

Making these separate units work as one was complex and Perry officials admit it hasn't been easy to integrate four different marketing philosophies. In fact, the Fleenor management, which originally was put in charge of the Auto Works program, was replaced by Jack Gallagher and Robin Fisher, who previously ran Corvairs. Recently, the chain consolidated its warehousing and buying under one roof. Sales in 1985 were $127.1 million.

Other conglomerates have also had problems integrating automotive sales into a corporate operation. Operations such as Rite Aide Drugs (which owns the ADAP chain in New England) found the chain unprofitable until it was completely overhauled; Southland Corp. (which runs Chief Auto along with its 7-Eleven convenience stores) was on the point of selling the Chief stores before making a serious commitment to automotive; and the Lucky Stores found it had to organize a separate Automotive Division in 1982 to make the Checker/Kragen stores profitable.

The conglomerates all found that although automotive stores resemble other types of retail stores in the way they're run, they have distinct differences, and require trained automotive personnel and autonomy to be successful.

Perhaps this is the reason that none of the conglomerate retailers have had the success of the Pep Boys chain. Although only one of 14 chains operating more than 100 stores, Pep Boys is far and away the leader in sales per store. The firm's 1985 sales were $389 million and, based on its reported 39-week sales, net sales will be near $480 million this year.

One reason for their success may be *thinking things through*. The management team of CEO Benjamin Strauss and president Mitch Leibowitz took over a well-managed, debt-free company and actually closed 32 stores between 1979 and

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1984, weeding out non-producing stores while other firms rushed to open new stores. At the same time, it began opening new supermarket-type stores of 15,000 sq. ft. and more that put smaller competing stores to shame. The chain also made a serious commitment to its highly profitable service operation and its private label tire and battery sales. To finance the opening of 60 stores in two years, Pep Boys went public. Plans call for 35 stores in each of the next three years. Strauss and Leibowitz make no secret of their ambition to be the first national chain.

The Little Guys

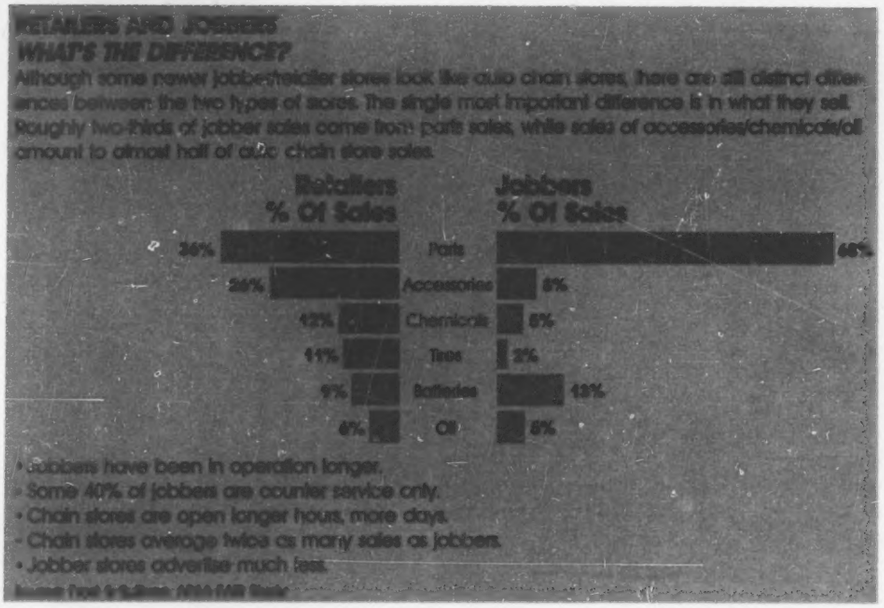
Faced by conglomerates on one side and hard-working chains like Pep Boys on the other, the little guys are caught in the middle. And, as one retailer who's on the verge of selling out said, "There's lots of fallout coming. The people that don't get consolidated are going to get trampled to death by the elephants. The worst place to be is in the middle. You're too big to operate with the comfort level of a small business, and you're too small to compete at the financial level of the giants.

"The guy with two or three stores is probably in the best position," the owner said. "He's got a lot of control. And there'll always be a place in specialty retailing for the single unit independent who does a good job of merchandising for a well-defined market. He'll always be there. The guy with 25 stores can operate small, but he doesn't have the staying power. He has to be very, very good. Most guys at that size are leveraged up the wazoo. They're trying to get controls and operations in place, and they're competing against guys who've passed that point ten years ago.

"What you do in this situation really depends on your goals," was his advice. "If you want to be king of the mountain, you know what you have to do, you have to hang it out there and go. That's what all the entrepreneurial talk is all about. There comes a point when you get too big to back off. Then you have to either expand or sell out. If you don't want to sell out, you at least have to find some equity financing or a rich aunt."

The Traditional Side

The advice from a little guy is echoed by the views of a traditional market veteran. The traditional market is still more fragmented than the retail market. There have been fewer mergers than bankruptcies. However, at the top, three of the four largest players in the traditional market are conglomerate-owned: APS Inc. (owned by Wickes); Parts Industries (owned by GKN of Great Britain) and AI International (owned by Alghanim Industries of Kuwait). Only Genuine Parts is independent.


WHAT'S THE DIFFERENCE?
Although some newer jobber/retailer stores look like auto chain stores, there are still distinct differences between the two types of stores. The single most important difference is in what they sell. Roughly two-thirds of jobber sales come from parts sales, while sales of accessories/chemicals/oil amount to almost half of auto chain store sales.
Retailers % Of Sales
Jobbers % Of Sales
36%
Parts
65%
28%
Accessories
8%
12%
Chemicals
8%
11%
Tires
2%
9%
Batteries
13%
4%
Oil
8%
• Jobbers have been in operation longer.
• Some 40% of jobbers are courier service only.
• Chain stores are open longer hours, more days.
• Chain stores average twice as many sales as jobbers.
• Jobber stores advertise much less.

In addition, APS and Parts Industries are vertically integrated. That is, their corporate owners also control suppliers, including the Vera imported parts program (Wickes) and the Beck/Arnley and Worldparts imported parts programs (GKN), as well as retail operations (the Big A stores through APS and Parts Plus stores through Parts Industries). Vertical integration is a big plus for these operations, particularly in the vital import parts market, which could very well make up a quarter of total aftermarket parts sales in the next few years.

Principally because of the few big players, many feel the small, independent WD is in serious trouble. Speaking at last year's Frost & Sullivan Conference in Denver, Jack Creamer of Distribution Marketing Services noted that there were some 2,000 WDs in the mid-1960s; today, there're about 900. "The small WD in a metropolitan area is in trouble. He can't meet the margins and still grow, yet he has to cut prices to sell. AWDA's WDs have more major credit problems today than ever. The volume retailers have created real problems. If you don't believe me, read Thursday's *LA Times* Pep Boys ad and then go look at Pep Boys 42,000 sq. ft. store. You have to ask yourself: what kind of WD are you? What kind of market are you in? And, what's the competitive situation? If you're in a metro market with two or three majors there, it's crowded. The number four and five players in the market are in trouble."

From the post World War II period, when the WD/jobber/installer channel was set up, until the 1970s, the traditional market operated with no major changes. There was ensured growth through a steady rise in vehicle populations. Plus, shifts in population because of the growth of the suburbs made for easy expansion with branch stores. Then came the high interest, high inflation, fuel shortages, and the new retail players of the 1970s.

Buying In: AI International

It was about this point that Kuwait-based Alghanim Industries (AI International) took a look at the aftermarket with a desire to buy into it. A glance at its study of the traditional aftermarket, circa 1980, is very interesting. AI found three strongly capitalized, stable companies (Genuine Parts, APS, and General Automotive) doing $1.6 billion in sales; 11 small publicly held companies doing a total of $360 million in sales; and 900 or so doing between $3 to $40 million each in sales.

Interestingly, AI thought the small companies were, on the whole, in the best shape: profitable, but thinly capitalized. However, the mid-range companies were in trouble. This is how the AI study described the mid-range WDs:

- "Tried to grow too fast through excessive leverage."
- "Got caught by the pipeline filling up and interest rates."
- "Are over extended and retrenching."
- "Many are now paying 2-3% of sales in interest and returning only 1% to sales in net income."

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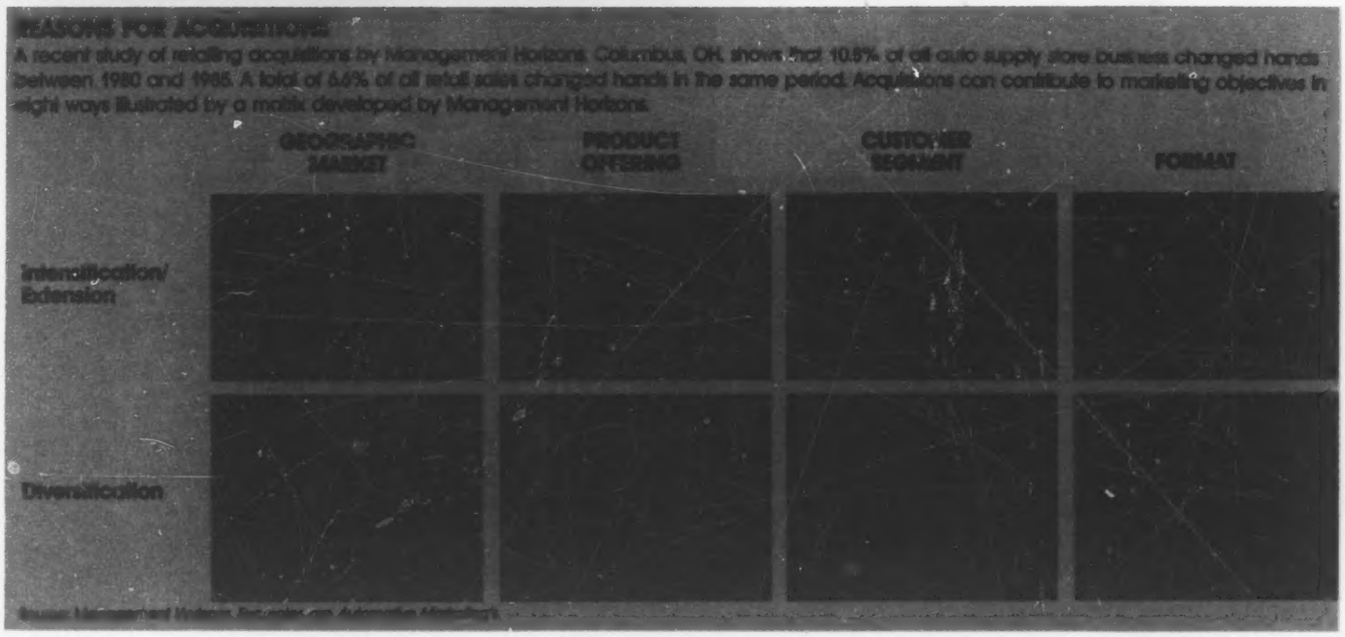
REASONS FOR ACQUISITIONS
A recent study of retailing acquisitions by Management Horizons, Columbus, OH, shows that 10.5% of all auto supply store business changed hands between 1980 and 1985. A total of 5.6% of all retail sales changed hands in the same period. Acquisitions can contribute to marketing objectives in eight ways illustrated by a matrix developed by Management Horizons.
GEOGRAPHIC MARKET
PRODUCT OFFERING
CUSTOMER SEGMENT
FORMAT
Intensification/ Extension
Diversification

- "Had total sales of $362 million in 1980; down 3.5% from 1979."

The lack of any consolidation and the poor financial status of many WDs convinced AI to invest in the aftermarket. Starting in July, 1982, AI bought 20 WDs, 200-plus owned stores, 15 installation centers, and controlling interest in the Bumper to Bumper programmed distribution group.

Nick Covatta, executive vice president of AI International, noted that if you consolidate four or five companies in the $20 million range you have to add the overhead to manage them, but they can't be more efficient. However, a $250 million company does show efficiencies of scale.

At this level, centralized buying, financial controls, and computerized inventory controls pay off. AI, Covatta said, is in a period of consolidating its various WDs, reducing overlaps, getting to know one another and smoothing out rough edges. And, as Covatta said, "Nobody knew who we were several years ago. Now they do. It's important to get enough size to be a factor. Suppliers want to cooperate with us."

About the only item on its plan that AI has not accomplished is to control an import parts program.

Programmed Distribution

Developing a programmed distribution group within the AI chain was an integral part of the initial AI planning. Its research showed that popular parts (20% of total part numbers) made up 70% of parts sales. However, 30% of the 70% went to DIYers. So not to pursue the DIY market aggressively meant conceding almost half the popular part business.

AI, of course, had the luxury of studying this before getting into the aftermarket. The rest of the traditional market had to learn it the hard way. The DIY boom of the 1970s and the fuel crisis that shut down many of its traditional customers forced the WD to reexamine its distribution pattern. Bob McKenna, NAPA president, summed it up succinctly for *Automotive Marketing*: "We sort of let this happen. We sat around with our heads in the sand and allowed retailers to have the retail market. It's just like the car companies were to blame for letting us have the repair market years ago. If we'd acted ten years ago with the programs we now have in merchandising and advertising, the retail chains would never have got a foot in the door. Now we have to go back and battle them for our share."

The response was programmed distribution which provided programmed jobbers with competitive marketing support in merchandising, advertising, and competitive pricing on DIY part numbers. About 25 programmed groups sprang up in the 1970s, and 18 have survived, serving about 17,000 jobbers to some degree. According to Creamer, about half of WDs are presently affiliated with a program.

Pluses and Minuses

By and large, programmed WDs feel they've succeeded in meeting the retail challenge, at least for most jobbers. Joe Strauss, of Strauss-Frank, San Antonio, TX, said the Carquest program gave his jobbers the planned sales, promotions, and merchandising expertise needed to compete. "Differences in us and them? Jobbers are better trained to give advice. They have local expertise and know needs and wants. And, they're full line jobbers, not just fast line sellers. They're able to take care of DIY customers and dealers."

TPS's Riley Taylor, Sr., (part of All-Pro) thinks the only area where the programs can't compete with retailers is, "The dollar amount of advertising. I'm not sure we can overcome that." However, Taylor added that jobbers will benefit from their wholesale business. "The retail market has capped. I think the retail operators have maxed it out. We're going to have to find ways to tie in our dealers with our programs. Why they should install, recommend, and use our parts."

One remaining weakness of programmed distribution lies in control of the program. As we noted above, about 17,000 jobbers are involved in programs to some degree. To what degree is the key. Most WDs are happy with 60-70% of a jobber's purchases. But by that yardstick, the number of jobbers in programs would drop dramatically. And too, every single program has to be sold to each and every jobber. Joe Matlock of AAAD summed it up well, "We're like a paraplegic leading a band. We can't wave our arms, we can't march along. All we can do is yell as loud as we can."

Fred Pisciotta, APS president, says that lack of control is only a excuse. "Control is not the answer. It's a frustration. The answer is in the quality of concept: having the right ingredients in the program and marketing it well. Having all the supports in place. You still need that entrepreneurial aggressiveness from independent jobbers. Our trade advertising

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tells it the way it is. Risk and reward. We complement the independent jobber, not control him."

WD-Owned Stores

Although programmed distribution has given WDs better buying power, the lack of control has led many WDs to open their own stores. This is particularly true in metropolitan areas where chain stores flourish and jobbers are weakest.

WD-owned stores are naturally a sticky point when WDs and jobbers meet. In fact, a group of Florida jobbers has brought suit against several Florida WDs for selling direct. Despite the controversy, WDs presently own about 3,500 jobber stores and the number is increasing. One study found 43% of WDs own at least one jobber store. The average was 12.

There are often WDs competing directly with jobbers in some areas. "How do I explain that?" a WD said. "Do you want answer A or answer Z? Sure, they're terribly ticked off. But most people realize that any user can buy items at jobber price somewhere. To sell retail you've got to compete with national retailers. A WD can compete price-wise with retailers who sell just a tad above jobber price, but you can't sell to independents at a price that will let them sell at that price. If you're going to compete in major markets, you're going to have to be controlled. Existing stores that have trade will survive with a program. But to have the edge, it will take a price competitive edge. Whatever the market dictates, you have to sell at retail levels. Jobbers are going to be hurt simply because of the pricing structures in the market." The WD expects WD-owned stores to double in the next five years.

There are also several WDs who've owned stores for many years. Charles O'Reilly, Sr. of Ozark Automotive, which has gone from 25 stores in 1980 to 74 in 1987, said his company has found the benefits of being big. "We're definitely a merged organization. We've copied what Auto Shack has been doing. Our stores are well-lit, with modern displays and fixtures, and working good for us. We're about 50/50 wholesale and retail. We benefit from two things: we're in a growth area, and the company's more aggressive. Too many jobbers are still behind the times. They couldn't or didn't want to make changes. Overall, I think it's the sign of the times. The big are getting bigger. Larger companies can do more and spend more money to upgrade their stores."

Strauss, of Strauss-Frank, San Antonio, TX, said, "Why own stores? Look at the market. There're lots of voids where we have no distribution. If there's no legitimate independent in a market, we'll buy a store. But we want to operate at an arm's length situation from our jobbers."

However, Pisciotta warned, "A lot of people who are buying stores to protect market share have a WD mentality and they will find problems. They don't know they don't have the skills until it's too late. We run our stores well today; but once, we didn't. Owned stores require different controls. You're dealing with various classes of trade. Customer service is a different mentality. A WD business is a disciplined way.

"I feel the advantage of owning our stores is that it gives us a better insight into our customer, the jobber, and his problems. It made us be a better WD. We grew up in our store business. I see a good future for the independent. It's a big market and there are jobbers to be serviced. I know there's level skipping going on. A lot of people think owning stores will be their salvation, but some WDs are going to be surprised."

Although WDs are not keen on discussing selling direct with their jobbers, there's no doubt it will continue and grow. After all, major retailers are really only WDs with a controlled group of stores. It's only tradition that keeps a traditional WD from imitating a Pep Boys.

The Future

What will the merging market mean for the aftermarket? First, and most important, it means a distributor-driven market. We're starting to see this already on the retail side. A California rep claimed that 85% of his business came from three chains: Pep Boys, Chief, and Grand. And the Wal-Mart issue, where a major mass merchandiser wants to dictate how suppliers sell to them (and some suppliers have conceded to their demands,) has shown the power of a major retailer.

On the traditional side we're beginning to see the same thing. Programs have demanded short-line private labels from suppliers which allow them to be price competitive with retailers. On branded products, there's a lot of discussion whether fixed pricing and fixed margins will survive in the future. At least one major traditional supplier has already eliminated price sheets and guaranteed margins.

The buying power of the programs and major retailers may soon reach the point that an uncooperative supplier can be shut out of a market. This suggests that both the large programs and retailers will be able to squeeze suppliers for the very best deals.

This means even more problems for the independent WD and smaller retailers. Creamer expects to see more and more independent WDs joining programs, and the programs controlling 60-65% of total sales on the traditional side. For those who remain independent, managing assets and costs better will be a matter of sheer survival against the giants. Price competition will force smaller WDs to find niches in the market they can exploit. Specialization may be the only answer for the independent who refuses to join a group.

At the jobber level, the future may see more jobbers banding together in buying groups. And suppliers may be willing to deal with them. This, in turn, will make the larger programs open more WD-owned stores that can compete with the megachains.

On the retail side, the continued growth of megachains will take them into the smaller towns and rural areas, which are still independent jobber strongholds. That might become a very workable strategy for the number three or four retailer in a major market. While it's hard to compete in Los Angeles against Pep Boys, Chief, Kragen, and Trak, one of these, or a smaller chain, could easily go to a smaller store, small town strategy and dominate a dozen small markets.

On the traditional side, WDs are already envious of Parts Inc.'s deal with Goodyear (The warehouse sells direct to Goodyear stores and local Parts Plus jobbers provide fill in parts). The growth of the specialty installers is driving many garages and gas stations out of the quick repair business. It's easy to see larger WDs or programs setting up more direct deals with the specialty repair shops.

Finally, for a long time jobbers could take comfort in the fact that the average retail store stocked only a few fast-moving parts. But in the last few years, retailers have continued to increase their SKUs. Ten years ago, the average retail store stocked about 5-6,000 part numbers; today, it's closer to 9-10,000. And the new items are almost exclusively hard parts that were once jobber-only items. Increased inventories and competition will lead retailers to examine other markets, like wholesaling to dealers. Chains like Chief, Western Auto, and ADAP are already testing programs in this area with varying success.

All in all, it seems as though the automotive aftermarket will soon resemble the grocery market. Dominated by a few dozen giant chains, supplemented by specialty stores, and a few last ditch holdout mom and pop stores. ■

(Circle 27 on Product Information Card) →

SELLING & MERCHANDISING GUIDE

Volume aftermarket retailers all over the country are getting ready for a good Spring/ Summer selling season.

by **Edward L. Kaufman,** Contributing Editor, and **Philip Katcher,** Research Editor

With some exceptions, automotive retailers all over the country anticipate good sales during Spring 1987. This is traditionally the "get ready time" for DIY-oriented car owners, the time for doing "driveway tasks" DIYers shun in cold, wet weather; things such as washing, waxing and refurbishing their car bodies, changing oil and filters, flushing the cooling system and adding new coolant, and otherwise improving the looks of cars and trucks with accessories.

And most retailers are getting ready to handle increased sales of these traditional Springtime car maintenance tasks. Western Auto's Vice President Mike Riggans, for example, says that for Spring 1987, "We'll be advertising and promoting the usual seasonal items such as car washes, waxes, car body repair materials, and tune-up parts."

Retailers expect a seasonal pick-up in the sales of chemicals, body fillers, filters,

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1. Greenbelt East
2. Megapolis East
3. Smokestack East
4. Old South
5. Caribbean South
6. Smokestack Central
7. Grainbelt Central
8. Spanish West
9. Desert West
10. Greenbelt West

engine and carburetor cleaners, motor oil, and appearance accessories. In fact, sales will pick up for nearly all automotive items with the possible exception of what some retailers regard as being "Winter chemicals." Spring should be a good time for promoting radiator flushes and coolant replacement—as it is for some retailers already. However, some retailers perceive antifreeze/coolant as a "Winter item," so it gets Winter treatment.

Retailers Look At Spring 1987

Seattle-based Schuck's Auto Supply stresses seasonal promotions, according to Tim Phillips, one of two merchandising managers in the chain, who has responsibilities for such lines as tune-up parts and engine hard parts, suspension system parts, and truck accessories. He says, "There is a definite seasonal pattern to some of these products. For instance, we normally experience big increases in sales of shock absorbers in the Spring. Driving on hard packed snow is hell on shock absorbers, so many are worn out by the end of Winter. However, DIYers are, understandably, reluctant to get under the car or truck until the arrival of warmer weather."

What about Springtime business for tune-up parts? "We are not seeing as much of a seasonal upturn as we used to; business on ignition parts seems to be more spread out through the year than it used to be. It is only conjecture on my part, but I suspect that some of the car owners who used to come to us in the Spring for tune-up parts are now buying tune-ups in the Winter form tune-up specialists such as Quiet-Tune."

Hence, a need for even stronger promotional efforts. Phillips says, "We have used television for about four years, both for specific price point advertising and for ore institutional seasonal advertising. For example, our Spring Car Care and Prepare For Winter advertising."

Selling In A Truck Market

Schuck's faces some different problems than do chains in other areas of the country. For one thing, the Pacific Northwest is "truck country." Phillips says, "There are a *lot* of light trucks in use up here. In fact, for Ford, its biggest selling vehicles in the Northwest is its pick-up trucks."

Schuck's has been selling a broad line of truck accessories for years, including

LOOKING AT THE ACCESSORY PRODUCTS MARKET

Spring 1987 will differ from prior years in that it will see accelerating sales of appearance accessories, items such as striping and chrome trim, and many items sold primarily for light trucks such as suspension parts, towing hitches, truck bed liners, tail gate protectors, running boards, and exhaust stacks.

For these items, sales are up not only *seasonably*, but *cyclically*. With generally favorable economic conditions during the past few years, appearance and performance accessories—especially for trucks—have been selling well among specialty retailers. Now, broader-line automotive retailers are getting on the bandwagon, too. They will be devoting more floor space and advertising dollars to these items in early 1987.

Selling Sun Shades

One seasonal item you are going to see and hear more of in 1987 is the back-of-the-windshield sun shade. This item, made of cardboard, corrugated paper, or metallized mylar film, is designed to keep vehicle interiors from overheating because of the sun. Aside from not liking too-hot steering wheels and vinyl upholstery, vehicle owners are buying sun shades to protect their valuable sound systems. Leave your car in the sun long enough for interior temperatures to reach 110° (not hard to do in Phoenix in late June), and you risk expensive damage to the insulation on your electronic gear.

Introduced only about three years ago, car sun shades made their initial impact in sunbelt markets like Los Angeles, Las Vegas, Miami, and, of course, Phoenix. More recently, retailers in more temperate markets have found rising demand for sun shades. Too-hot cars are a problem everywhere in North America during the Summertime, not just the sunbelt.

Chief Auto's 470 stores are mainly located in the sunbelt, in sites ranging from California to Texas. And, Chief Group Manager Mike Manor says sun shades are doing very well in Chief stores. "We introduced them to our California stores in 1985 and they did so well that we carried them throughout our chain in the Summer of 1986. In the past two years we've sold hundreds of thousands of these items." In much the same way, Mike Riggan, Western Auto vice president, reports, "We introduced sun shades last year and the response was tremendous!" And, in Flint, MI, Bob Sabo of Action Auto says, "We tried them last year in a limited way and we were encouraged by the results. We are going to devote more space to this item this spring. Currently we are testing one make of sun shade that glows in the dark."

Who would imagine that sun shades would sell in drizzly Seattle? Tom Aitchison, a Schuck's Auto Works merchandising manager, says, "As a matter of fact, this surprised us, too. We introduced sun shades last year (cardboard types made by Wallfrin). We expected them to sell in the drier parts of our market such as Eastern Washington and Oregon, so we placed most of our stocks in those areas. However, we tested demand in all our stores. They sold well enough that this year these shades will be stocked in all our stores. The Wallfrin shades retail for about $3. In 1987 we'll be testing other, higher priced sun shades of the metallized plastic type."

Any signs of a sun shade sales letup? "Not yet," Manor says, "but I am troubled by the fact that so many are coming on the market now."

Chief Auto has been selling cardboard sun shades. "We like the fact that they are consumable. People keep them for a year or a year and a half. Some organizations—for example, the Los Angeles Dodgers—have given shades away for promotional purposes. That probably absorbs some of the demand for them," Manor says. Other organizations, such as McDonald's Restaurants did last summer in the Los Angeles area, sell them cheaply as a promotional item.

Are sun shades just another fad? "They might be in certain markets, places where they are bought primarily for their novelty appeal like bumper stickers. However, in places like Los Angeles, Las Vega, Phoenix, and Palm Springs, there is a real need for protecting car interiors from the sun. In those markets some car owners are buying 'dash guards', too, to protect their fancy leather dashboards from fading. These dashboard protectors are made of carpeting, designed to provide a custom fit for specific makes and models and are attached by Velcro tabs."

Light Truck Accessories

A number of retailers, too, have indicated that they expect light truck accessories to be big Spring 1987 sellers. But are they simply a seasonal item? "Not at all," says Harlan Felder, merchandising manager, Superior Industries, Van Nuys, CA. "The fact that sales are rising in Spring 1987 indicates that the demand is *broadening*, reaching more outlets."

Are truck accessories fad items? Will we soon see a downturn in demand for light trucks? "We don't think so," Felder says. "Sales of these vehicles have been rising because they represent a good value to young people. They like the idea of buying 'shell campers' that they customize to their liking. Frankly, a lot of people are buying trucks who do not have an absolute *need* for them. On the other hand, there is an increase in outdoor activity for which trucks are useful." ■

WHERE THEY BUY CUSTOM WHEEL PRODUCTS

We compared the percentages of DIYers in each of the unique *Automotive Marketing* marketing areas to the percentages of DIYers in those areas who bought custom wheels and accessories—a line of products commonly bought by light truck owners—during the year before the study was made. The geographic pattern of buyers of custom wheels and accessories such as covers, nuts, and locks, generally fits the patterns of light truck owners.

AM Market Area	Total DIYers	Product Buyers
Greenbelt East	5%	9%
Megapolis East	9	8
Smokestack East	10	9
Old South	29	31
Caribbean South	1	1
Smokestack Central	13	12
Grainbelt Central	16	15
Desert West	5	5
Spanish West	9	10
Greenbelt West	3	4

Source: *Automotive Marketing Consumer Automotive Repair Study*

WHERE THEY BUY ELECTRONIC ACCESSORIES

We compared the percentages of DIYers in each of the unique *Automotive Marketing* marketing areas to the percentages of DIYers in those areas who bought electronic accessories during the year before the study was made. Electronic accessories were better sellers in the Northeast and Central United States.

AM Market Area	Total DIYers	Product Buyers
Greenbelt East	5%	9%
Megapolis East	9	10
Smokestack East	10	7
Old South	29	22
Caribbean South	1	2
Smokestack Central	13	15
Grainbelt Central	16	21
Desert West	5	2
Spanish West	9	9
Greenbelt West	3	1

Source: *Automotive Marketing Consumer Automotive Repair Study*

running boards and pass-through windows. "We get one upturn in truck accessory business in March, when DIYers are getting ready for the Spring," Phillips says, "and another in the Fall when the new truck models come out. Owners of brand new trucks come to us for accessories that might also be sold as dealer items."

Schuck's sells a lot of truck accessories because it devotes the time and effort—and money—to promote them. Phillips says, "We have done well on truck accessories for years. However, our sales of these items really took off in the Spring of 1986 as a result of our 'I Love My Truck' promotion.

"Beginning in March, 1986, we had 30

LOOKING AT THE BODY REPAIR PRODUCTS MARKET

Its hard to judge where the body filler market is going. During the recession of the late 1970s and early 1980s, when people started hanging on to their cars longer than ever, growth of sales of material used to repair car bodies was rapid. Today, total sales of body filler material is estimated at around $100 million. However, people are now setting records in buying new cars (with bodies that don't need repair right away), and growth of body repair material appears to have slowed down.

Changes Are Coming

This doesn't appear to be a permanent slowdown. However, things are changing in the future. New materials, notably plastic fillers, are coming into use. Originally, plastic autobody filler's primary application was as a replacement for soldered lead in autobody repairs. Today, plastic fillers are coming into increasing use as a "universal quick-hardening filler material or spackle," readily available and useful in the repair of any hole, dent, or scratch. Besides being used for repairs on cars and trucks, fillers are finding new markets as they are used for marine, architectural-woodwork, plumbing, and general household and around-property repairs, sculpture (as a metal replacement), hobbies and crafts, and a wide variety of industrial uses and repairs.

Moreover, plastics and thinner steels are being used in ever-increasing amounts on car bodies. The thinner steels are more easily dented in minor "fender bender" accidents, and more easily patched with the new types of body repair fillers available. The plastic panels are easily replaced at a much lower labor cost than used to be charged for the more tedious work of filling, sanding, and repainting older cars.

And, now, where insurance companies used to simply pay off the book value of a heavily damaged car, now many of them want cars to be repaired, since repair is cheaper than replacement.

The bottom line, according to Donald J. Peck, chief executive officer, The Clausen Co. (Fords, NJ), is that because vehicle owners are now keeping their vehicles longer than heretofore, more effort is being devoted to maintaining a vehicle's value through cosmetic—appearance—repairs. These are either through professional autobody-repair shops or by weekend DIYers. This has resulted in the growing need for more up-to-date knowledge about filler products and their use by repairers.

Getting At The Problem

The problem seems to be how to get that knowledge on body filler products and their use to the customers. Customers will buy body repair products if they know, first, that they are available, and, second, how easy they are to use.

The problem is conpounded by the fact that where there was body filler, period, today there are different varieties of body filler products at different price points. At the top of the line is a type containing powder metal that hardens virtually as hard as metal. The user has to learn what type he needs and how to apply it.

There are a number of ways to of getting this information out to the car-owing public. And many retailers who report good body filler sales use all or a number of different ways to increase customer knowledge and, therefore, sales.

Jim Wayco, Pacesetter Auto Parts, Merrillville, IN, finds he sells body filler best through special in-store displays and advertising promotions. John Morris, Morris Auto Supply, Inc., Springdale, AK, also makes use of training material produced by manufacturers to hand out to customers who may or may not already know about body filler, but certainly appreciate the additional information in the printed pieces. And Mark L. Crossman, Ridge & Kramer, Coloma, MI, finds that special clinics on how to use body filler material help move product. Many other retailers use a combination of several of these methods of putting out product knowledge and building product sales.

Don't Forget Paint

Don't forget, too, that touch up paint products should be sold at the same time as body filler. These should include primer (gray is the most popular primer color, followed by red and black) and final paints to match the car color. According to one leading paint manufacturer, only 46 SKUs of the paint it produces will match nearly 3,000 different car factory finishes. And it's important to have the right color on hand—and displayed—for each customer.

The display is important, too, because according to the *Automotive Marketing 1985 Consumer Automotive Repair Study*, 85% of DIYers who buy paint pick it themselves from self-service displays.

No matter what method or combination of methods are used to educate potential body filler customers, however, the challenge of building sales through educating customers remains. Retailers who meet that challenge and educate DIYers in body filler use will have yet another weapon to battle the competition in their arsenals. ■

WHERE THEY BUY PAINT

We compared the percentages of DIYers in each of the unique *Automotive Marketing* marketing areas to the percentages of DIYers in those areas who bought paint during the year before the study was made. DIYers in Smokestack East were far and away more apt to buy paint—that soot is rough on car finishes.

AM Market Area	Total DIYers	Paint Buyers
Greenbelt East	5%	6%
Megapolis East	9	8
Smokestack East	10	17
Old South	29	27
Caribbean South	1	2
Smokestack Central	13	14
Grainbelt Central	16	13
Desert West	5	3
Spanish West	9	5
Greenbelt West	3	6

Source: *Automotive Marketing Consumer Automotive Repair Study*

WHERE THEY BUY BODY FILLER

We compared the percentages of DIYers in each of the unique *Automotive Marketing* marketing areas to the percentages of DIYers in those areas who bought body filler during the year before the study was made. The results clearly indicate the importance of weather, and nearness to the body-rotting salt air of the ocean in the case of Caribbean South. The Northeast is the big body filler sales area.

AM Market Area	Total DIYers	Filler Buyers
Greenbelt East	5%	8%
Megapolis East	9	11
Smokestack East	10	19
Old South	29	16
Caribbean South	1	3
Smokestack Central	13	17
Grainbelt Central	16	18
Desert West	5	5
Spanish West	9	1
Greenbelt West	3	3

Source: *Automotive Marketing Consumer Automotive Repair Study*

days of TV, radio, and print advertising homing in on the light truck aftermarket. These ads showed owners what they could do to improve the appearance and functionality of their trucks. We had before and after photographs, and, in each store, a brand new Ford Ranger pick-up—with all our accessories on it. This was the first time we ever zeroed in on a product group in this manner."

Not Just In The Northwest

And, light truck products will be big this Spring outside the Northwest, too. For example, Rocky Geichman, Rocky's Automotive in Columbus, OH, says that this Spring the big thing, "for us, I think, will be accessories and parts for pick-up trucks, minivans, sports vans, and 4 x 4s; things like double roll bars, truck bed liners, wheels and tires."

The idea of competing aggressively for truck parts and accessories business is still new at Rocky's Automotive. "Our nine stores are located in smaller towns surrounding Columbus. There are high registrations of trucks in the rural and semi-rural towns. Although we have been seling replacement parts for these vehicles, we have only recently begun to think about carrying up-scale accessories for them.

"Frankly, we haven't figured out all the details of our program yet. We have to make some decisions on which lines to carry, how many items to stock at the stores and our Columbus warehouse, what kind of advertising to run, and so on. Nevertheless, I am sure that trucks are where it is going to be this Spring."

Rocky's will try to have some light inventories on each truck accessory market at the stores, plus back-up stocks at its central warehouse. "We may have one for show and one for go. Some items may only be available on special order." on some highly specialized items, the chain may rely on performance WDs.

Tapping A Performance Market

Spring 1987 for Action Automotive, Flint, MI, will see much more emphasis on performance parts—manifolds, caruretors, ignition parts, and lighting. The latter item is especially popular for use on 4 x 4s and light trucks.

"At Action Automotive," says Bob Sabo, "we are willing to experiment. We have noticed increasing demand for performance items in other markets. Surprisingly, there are not a whole lot of performance WDs and specialty retailers in Michigan. So, we are getting on the band-

LOOKING AT THE MOTOR OIL AND FILTERS MARKET

There is really no reason for car owners to consider motor oil and filters items to changed in the Spring as opposed to the rest of the year. And, although this is traditionally a time that filters and motor oil are especially promoted, some chains have gone against this trend.

"For example," Tom Aitchison, merchandising manager at Schuck's Auto Works, says, "January is supposed to be a 'dead' month for sales of motor oil in the Northwest. Well, we promote motor oil in January successfully."

There is, however, a good reason why manufacturers promote oil changes, including both filters and motor oil, in the Spring. According to Mark Prus, director of motor oil marketing at Quaker State, there are two types of motor oil buyers. The first is what he calls the "car-caring customer." This individual is systematic about his car maintenance, changing the oil and filters at regular intervals—intervals often even shorter than those recommended by his car's manufacturer. This type of DIYer doesn't need to be reminded to change oil and filters—fuel and air as well as oil—at regular intervals.

Motivating The Oil Changer

Were that all customers were the first type of DIYer. Unfortunately, they aren't. The second type is the more common type. He or she is motivated to change car oil and filters only when when thinking of doing a number of car-related DIY tasks—things like waxing and polishing, cleaning the car interior, and flushing and changing the antifreeze/coolant. These are typically Springtime projects.

Therefore, this type of DIYer tends to buy motor oil only when in an auto parts store when also buying a number of products for these jobs. And, often that's around Memorial Day or Labor Day.

Chief Auto's Mike Manor sees this trend, too. According to him, "Our sales of maintenance products increases in the Spring. These include items that are routinely replaced at intervals—things like belts, hoses, and filters."

Hence, that's when motor oil and filter manufacturers tend to present their big, blockbuster promotions.

What To Expect

As far as Spring 1987, while it's too early to give specific facts on most upcoming motor oil or filter promotions, generally expect to see more rebate programs and promotions that push related products such as filters and motor oil. This type of promotion has the advantage of tying the sale of a higher margin product to the sale of motor oil which is, traditionally, sold at much lower margins. The result is increased profits for retailers.

This type of promotion is ideal for those second type of customers who come into a store planning to buy a variety of products to accomplish a plethora of car maintenance tasks. And, since those are the types of customers who frequent aftermarket retailers especially in the Spring, the timing is perfect. ■

WHERE THEY BUY FILTERS

We compared the percentages of DIYers in each of the unique *Automotive Marketing* marketing areas to the percentages of DIYers in those areas who bought filters during the year before the study was made. In most cases around the same percentage of people were both DIYers and DIYers who bought filters.

AM Market Area	Total DIYers	Filter Buyers
Greenbelt East	5%	6%
Megapolis East	9	8
Smokestack East	10	11
Old South	29	28
Caribbean South	1	1
Smokestack Central	13	13
Grainbelt Central	16	16
Desert West	5	6
Spanish West	9	10
Greenbelt West	3	2

Source: Automotive Marketing Consumer Automotive Repair Study

WHERE THEY BUY MOTOR OIL

We compared the percentages of DIYers in each of the unique *Automotive Marketing* marketing areas to the percentages of DIYers in those areas who bought motor oil during the year before the study was made. In most cases around the same percentage of people were both DIYers and DIYers who bought motor oil. Interestingly, however, DIYers who put long-driving miles on their cars, in the Grainbelt Central, Spanish West, Old South, and Greenbelt West areas bought motor oil at a slightly higher rate than elsewhere in the country.

AM Market Area	Total DIYers	Oil Buyers
Greenbelt East	5%	5%
Megapolis East	9	9
Smokestack East	10	9
Old South	29	30
Caribbean South	1	1
Smokestack Central	13	12
Grainbelt Central	16	17
Desert West	5	5
Spanish West	9	7
Greenbelt West	3	5

Source: Automotive Marketing Consumer Automotive Repair Study

wagon and are offering more merchandise of interest to performance buffs."

In addition to performance items, this chain is stressing parts and accessories for pick-up trucks, vans and 4 x 4s. Action Automotive's truck sections, typically about 8′ x 8′, feature such items as tow bars, bed liners, and tailgate protectors.

Action is also an aggressive advertiser. Sabo says, "We have achieved great increases in our sales of tires from our advertising program. We also promote our automotive services heavily, too." For example, for Spring 1987 the chain will once again advertise its free, 15 point seasonal check-up.

Rocky's Automotive stores sells performance parts, too. Mainly *true performance* items such as manifolds, cams, and suspensions. "These are sold mainly to young guys who want to get more performance out of their small displacement engines," Geichman says.

Is there much overlap between the performance market and the truck market? "Not as far as we are concerned," Geichman says. "The demographics appear to be different. If you buy some Rough Rider shocks for your 4 x 4, you may spend upwards of $200. That customer seems to be older and more upscale than the performance buff."

Further north, a number of Canadian markets have eight months of winter. "As a result," says manufacturer's rep Glen Heath of Fore-Tenn Marketing, Toronto, "there is a lot of Springtime activity here such as washing and waxing the car and refurbishing the car body. Retailers here prepare for a seasonal pickup in business in April; big promotions are planned for weekends in May. Queen Victoria's birthday is a *big* holiday; like your Memorial Day weekend."

What can retailers expect in Spring 1987 in Canada? "Because economic conditions here have been favorable during the last few years, we are seeing increasing demand for discretionary items. There will be heavy emphasis on merchandise for light trucks and four wheel drive vehicles. These will include both appearance accessories and suspension parts." ■

LOOKING AT THE CHEMICAL PRODUCTS MARKET

Folk remedy fans may recall that it was fashionable at one time for Americans to "tone" their bodies in the Springtime by ingesting things like sulphur-and-molasses. What the "tonic" did mainly was get rid of a lot of sludge.

Is there an analogy here for automobile "innards?" Of course. Cooling systems should be drained and flushed, and this can be done in the Spring as well as the Fall. It is a good idea to give the engine a five-minute flush to purge the system of sediments. Carburetors should be cleaned regularly, too. Now that fuel injected cars are coming on strong, there is a new and rapidly growing market for fuel injector cleaners and "purges."

With regard to cooling system flushes, Jerry Smith, Gold Eagle Co. marketing director, says, "Frankly, retailers have gotten out of the habit of promoting this product for Springtime application. Years ago, car owners knew that they had to flush their systems twice a year, once in the Spring to get out the old glycol and add water and a corrosion inhibitor, then again in the Fall to add antifreeze. With the development of year-round antifreeze/coolant, flushing has become an annual event, more usually performed in the Fall. But it could be performed just as readily in the Spring."

The general perception in the aftermarket is that cooling system flush and fill is a Winter activity. But as Tom Aitchison, Schuck's Auto Works merchandising manager, observes, "It is a lot easier to drain your antifreeze in the Springtime when it is 65° outdoors than in late Fall. So, we promote cooling system business in the Springtime along with other 'get ready for Summer' tasks."

WHERE THEY BUY MAINTENANCE CHEMICALS

We compared the percentages of DIYers in each of the unique *Automotive Marketing* marketing areas to the percentages of DIYers in those areas who bought maintenance chemicals during the year before the study was made. Maintenance chemicals sold best in America's Southern regions.

AM Market Area	Total DIYers	Product Buyers
Greenbelt East	5%	5%
Megapolis East	9	7
Smokestack East	10	10
Old South	29	32
Caribbean South	1	1
Smokestack Central	13	10
Grainbelt Central	16	18
Desert West	5	5
Spanish West	9	12
Greenbelt West	3	1

Source: *Automotive Marketing Consumer Automotive Repair Study*

WHERE THEY BUY WAX AND POLISH

We compared the percentages of DIYers in each of the unique *Automotive Marketing* marketing areas to the percentages of DIYers in those areas who bought wax and polish during the year before the study was made. Where Winters are wet, cold, and long, not surprisingly, DIYers tend to buy less wax and polish, while the opposite is true in sunny climes.

AM Market Area	Total DIYers	Product Buyers
Greenbelt East	5%	4%
Megapolis East	9	7
Smokestack East	10	11
Old South	29	29
Caribbean South	1	2
Smokestack Central	13	14
Grainbelt Central	16	16
Desert West	5	5
Spanish West	9	8
Greenbelt West	3	4

Source: *Automotive Marketing Consumer Automotive Repair Study*

Another Seasonal Change

Gold Eagle's Smith points out another seasonal change that affects chemical product sales in the Spring. "With rising outdoor temperatures going from Winter to Spring to Summer, there is an increasing need for octane boosters," he says. "Lack of octane is what causes engines to knock in hot weather."

As far as using an octane booster, Smith adds, "We recommend adding one can to each tankful of gasoline. Actually, it is a good idea to recommend that the car owner buy this product a case at a time, starting in the Spring. That way he'll be sure to have some in the trunk when he buys his next tank of gasoline."

Other Chemicals

The above products can, of course, be, and are, used year-around. But applications of car wash, wax and polish, and finish restorers are definitely seasonal. In the U.S. as a whole, sales of these items drop off in December and don't pick up until the end of March—the beginning of Spring in many areas of the country. Therefore, for many appearance chemical manufacturers—and retailers—the emphasis for Springtime promotions is in the appearance category.

So retailers can expect a good Springtime for chemical sales. In Flint, MI, the Action Automotive chain, for one, reports it is preparing for a seasonal upturn in demand for appearance chemicals and maintenance chemicals, especially additives and fuel system cleaners. ■